OFFICE OF INSPECTOR GENERAL
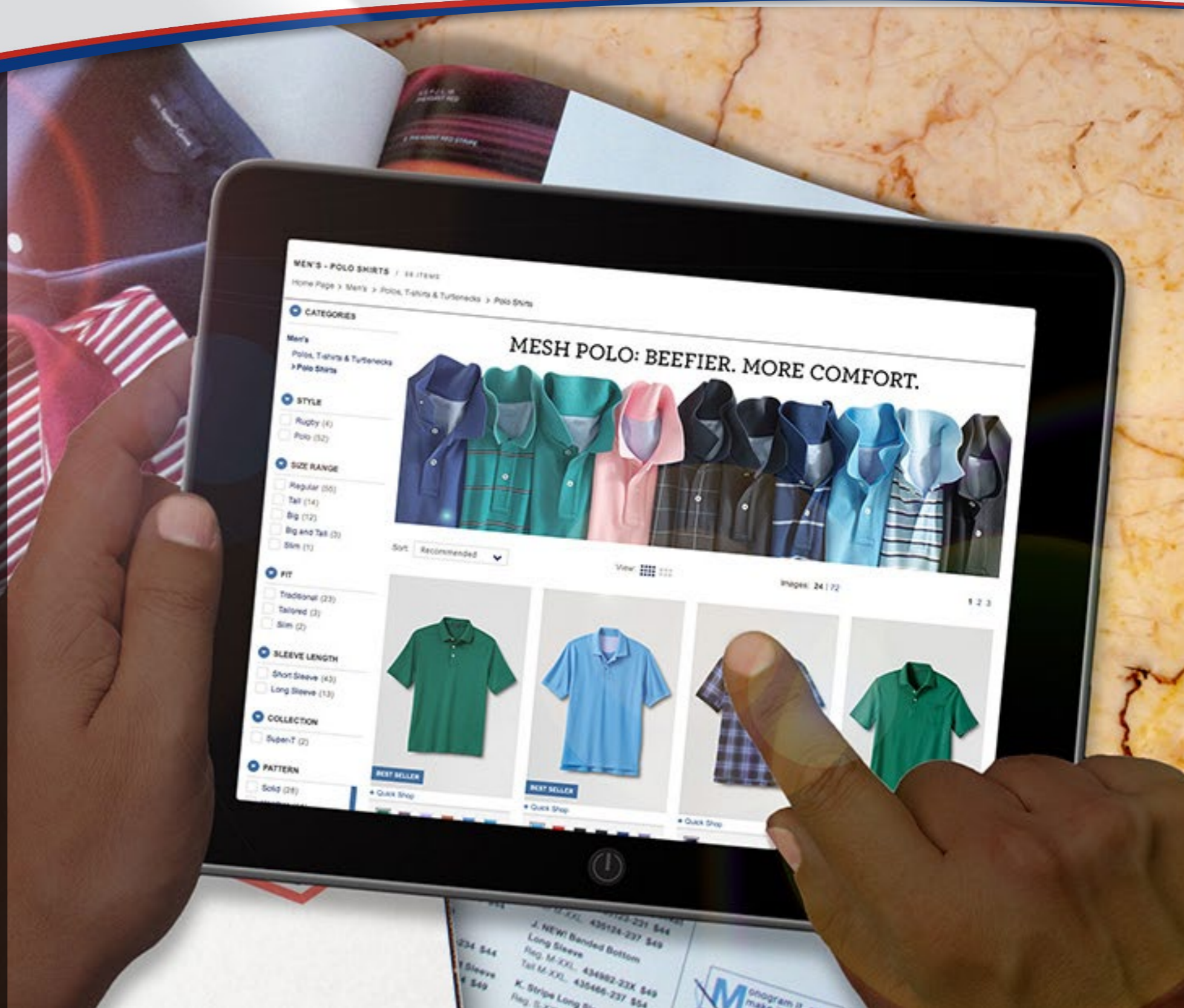## UNITED STATES POSTAL SERVICE

Enhancing the Value of Mail Follow-Up: Discussion Forum Recap

RARC Report

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Executive Summary

Well-designed, digitally-interactive mail elicits a strong connection from its recipients and presents new opportunities to reach and build relationships with them.

Hard copy communication is not the relic some claim it to be. Well-designed, digitally-interactive mail elicits a strong connection from its recipients and presents new opportunities to reach and build relationships with them. These findings — featured in a recent U.S. Postal Service Office of Inspector General (OIG) white paper, *Enhancing Mail for Digital Natives* — were explored in detail during an OIG-hosted forum held on January 21, 2014, with marketing, communications, and mailing industry experts.

OIG officials discussed their past work highlighting how most Digital Natives are interested in receiving mail, especially when it includes digital features and is tailored to their interests. Klaus Schulz, former president of the European Envelope Manufacturers' Association, then presented scientific research from Europe showing that, more than digital communication, hard copy communication fosters an emotional connection that increases both readers' attention and marketers' returns on investment. Finally, a panel of leading industry players discussed their companies' use of cutting-edge technology and print innovations to make mail more personal, relevant, digitally enabled, and central to the consumer's experience with a brand or product.

A number of key themes emerged from the forum. First, mail is a critical piece of an omnichannel strategy, which gives consumers a seamless and meaningful experience across a variety of media channels and provides the marketer with a rich source of useful information. Second, consumers prefer personalized mail from companies that value their privacy. Third, new technologies, like near field communication (NFC) and augmented reality, provide exciting ways for mailers to interact with consumers. Using these methods to make mail more worthwhile to recipients will enhance the value of mail. After all, it is the recipient's valuing of the mail that keeps the medium relevant to all.

Highlights

A number of key themes emerged:

First, mail is a critical piece of an omnichannel strategy, which gives consumers a seamless and meaningful experience across a variety of media channels and provides marketers with a rich source of useful information.

Second, consumers prefer personalized mail from companies that value their privacy.

Third, new technologies, like near field communication (NFC) and augmented reality, provide exciting ways for mailers to interact with customers.

Finally, there is a strong interest among printers, marketers, and advertisers to incorporate this technology into traditional direct mail.

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Observations

Enhanced mailpieces make mail more interesting for the reader, and they can lead to more purchases.

Introduction

Hard copy communication is often cast as a relic in the age of digital innovations. However, this is far from true, according to leading communications and marketing experts who attended the "Enhancing the Value of Mail" forum hosted by the U.S. Postal Service Office of Inspector General (OIG) on January 21, 2014. Inspired by the OIG's recently released white paper, *Enhancing Mail for Digital Natives,* the forum highlighted that mail, when well designed or digitally interactive, elicits a strong connection with its recipients, particularly Digital Natives, who have grown up with technology. As this group continues to gain market influence, it will be essential for stakeholders along the broader mail value chain, from marketers and designers to printers, mail service providers, and the U.S. Postal Service (Postal Service) to modernize the mail in order to keep the medium relevant and effective.

Hailing from a variety of industries, forum participants and panelists included Postal Service officials, members of the Universal Postal Union, mailers, consultants, innovative technology companies, and mail service providers. The panelists discussed exciting technological advancements in design, paper, printing, and digital elements that make mail more intriguing, valuable, and relevant to recipients.[1]

The Round Table

The event had three parts. First, the OIG introduced findings from its white paper. Digital Natives participating in its focus groups are indeed interested in receiving mail. Well-designed mail integrating digital features is especially valuable for those accustomed to mobile and other technology. Relevance was also paramount for focus group participants, who reacted more strongly to mail tailored to their individual interests. In addition, the study revealed that packages are the new anchor to the mail, meaning that the anticipation of receiving a package — an important event for this group — drives them to pay closer attention to mail.

Next, Klaus Schulz, former president of the European Envelope Manufacturers' Association, presented scientific research showing how the brain reacts to physical mail. The global mailing expert shared evidence showing how hard copy communications foster an emotional connection that increases both readers' attention and marketers' return on investment. A study of transactional mail found that new customers who received hard copy bills paid more quickly and required less customer service (i.e., were less expensive to manage) than customers who received electronic bills.

Finally, a panel discussed how impactful design and digitally interactive features are effective elements of successful omnichannel campaigns. These campaigns are sophisticated, data-rich marketing efforts that provide integrated experiences to consumers across multiple platforms. The panelists provided the following insights:

- Andy Bear, Multichannel Technology Manager with Quad/Graphics, a global provider of print and multichannel solutions, noted that new technologies provide a way to better personalize traditional mail, whether through printing or processing. To maximize effectiveness, the technology needs to be integrated with the content, customer analytics, and other marketing channels.

- Jonathan Margulies, Managing Director of marketing firm Winterberry Group, opened by stating that enhanced mail is a key to maintaining relevance in a multimedia world. With direct mail growth lagging behind new digital media, mail marketers need to adopt tools and skills to bring mail into modern, omnichannel marketing campaigns. It is not enough to simply introduce technological elements, but the content and the multimedia tools have to meet the needs of consumers.

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1 Biographies of each panelist are in the appendix.

- Bill Berkley, President and CEO of envelope manufacturer Tension Envelope Corporation, focused on the need for immediacy in engaging the mail recipient — whether through tactile, visual, or cerebral elements. Technology can serve as a catalyst in this process, either before or after the envelope is opened.

- Lisa Hu, Vice President and General Manager of Blippar, a company that brings image recognition and augmented reality to mobile devices, demonstrated how new technology using mobile devices can help communicate a marketing message along multiple media. The outcome can be greater engagement with the consumer, resulting in increased brand awareness.

- Barbara Fisher, North American Regional Manager for the Organic and Printed Electronics Association, highlighted current technologies such as heat sensors and illuminated images. She explored the potential for these low-cost electronics, which can be printed onto an envelope or package as well as its contents. The technology can create many types of interactive mail, from a buildable record player in a magazine, to smart packaging to monitor the temperature of food or medicine as it travels through the mail system.

Key Themes

As the forum covered a wide variety of topics and unique insights, three key themes emerged:

- **Omnichannel Strategies Are Most Effective** — Unlike traditional marketing efforts, these campaigns not only span a number of media and channels, but also are integrated with one another, providing the recipient with a seamless and meaningful experience and the marketer with a rich source of relevant consumer information and higher customer engagement.

- **Personalization Creates Relevant Mailpieces** — Consumers want to receive mail pertinent to them, whether through categories relative to their interests, channels they feel comfortable with, or copy targeted to their values. At the same time, mailers should be aware of privacy concerns.

- **Technological Innovation Fosters Direct Mail** — New technology such as near field communication (NFC) and augmented reality enhances personalization, provides new ways for the mailer to interact with the customer, and links disparate elements of a marketing campaign.

Omnichannel Strategy

Understanding the changing value of mail — both to mailers and recipients — requires reviewing how new technologies change the role of marketing and media channel selection. Smart devices and computing power generate a torrent of new data, allowing new levels of analytics and increasing sophistication in integrated media planning, or, as several speakers termed it, "omnichannel marketing." An omnichannel approach allows retailers to engage consumers in new comprehensive ways, possibly leading to heightened brand awareness and a quicker decision to purchase, which is further enabled through convenient mobile shopping.

Earlier marketing campaigns were simpler. Marketers would choose a distinct medium based on whichever channel generated the most sales. Next came multichannel marketing, where marketers would spend across a wide spectrum of media rather than investing in one or two channels. When using a multichannel approach, marketers expected that each medium would act in isolation, serving a particular role. For example, an auto dealer would have weekly mailings to promote certain cars on the lot, while its television advertising promoted its role in the community and its friendly salespeople.

Physical-digital integration is an effective component of an omnichannel campaign.

Although the concept of omnichannel originated in the 1970s, today's approach uses the best attributes of each channel to provide the consumer with a seamless brand and purchasing experience.[2] For example, a recent Marks & Spencer print campaign allowed users to scan eye-catching advertisements with mobile devices and immediately be taken to an online page to conveniently purchase the items.[3] The same experience is possible through catalogs and other mail, giving consumers the option to receive items at their homes or to pick them up at a nearby store. This experience involves many channels, but the customer has a unified experience (See Figure 1).[4]

Omnichannel communication provides a way for companies to create a branded shopping experience, whether the consumer is in a brick-and-mortar store or the comfort of his or her own home. A key component of this approach is physical-digital integration, another recurring theme highlighted during the forum. Connecting the channels in a new, personalized way can raise brand awareness, improve response rates, and enhance consumers' entire experience. As illustrated recently by a market research firm, Quad/Graphics' Andy Bear noted that introducing a campaign across a number of media could boost the response rate by 45 percent (See Figure 2).[5]

Also highlighted in the forum was a European study examining a campaign that integrated e-mail newsletters with print catalogs to increase the response rate by almost 3 percent and net sales by around 9 percent.[6] Such clear returns on investment demonstrate the viability of mail to reach consumers as a component of a larger, effective omnichannel strategy.

Figure 1: Omnichannel Marketing Strategy
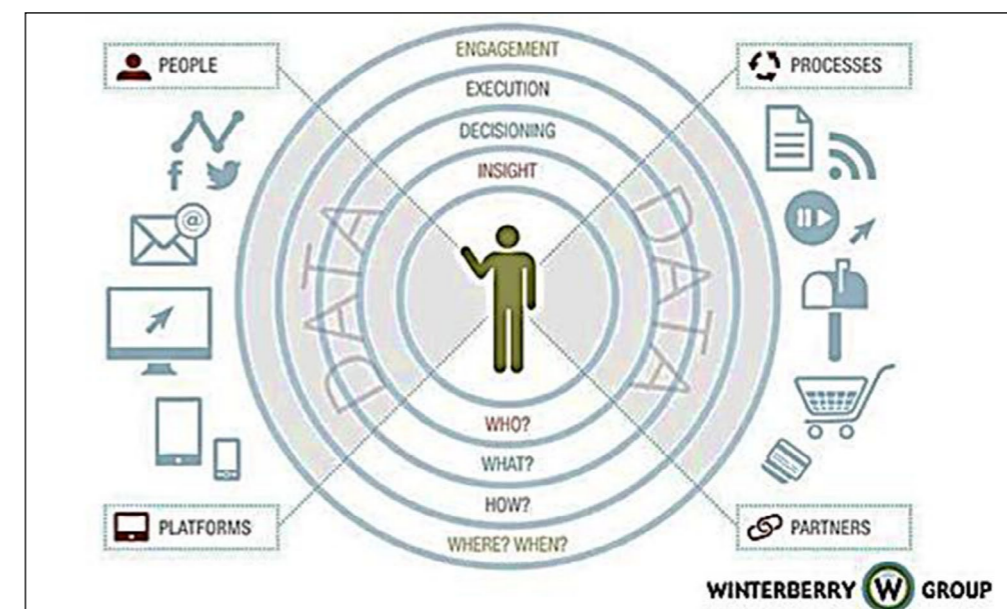
Source: Winterberry Group, 2014.

Figure 2: Additional Channels, Better Response
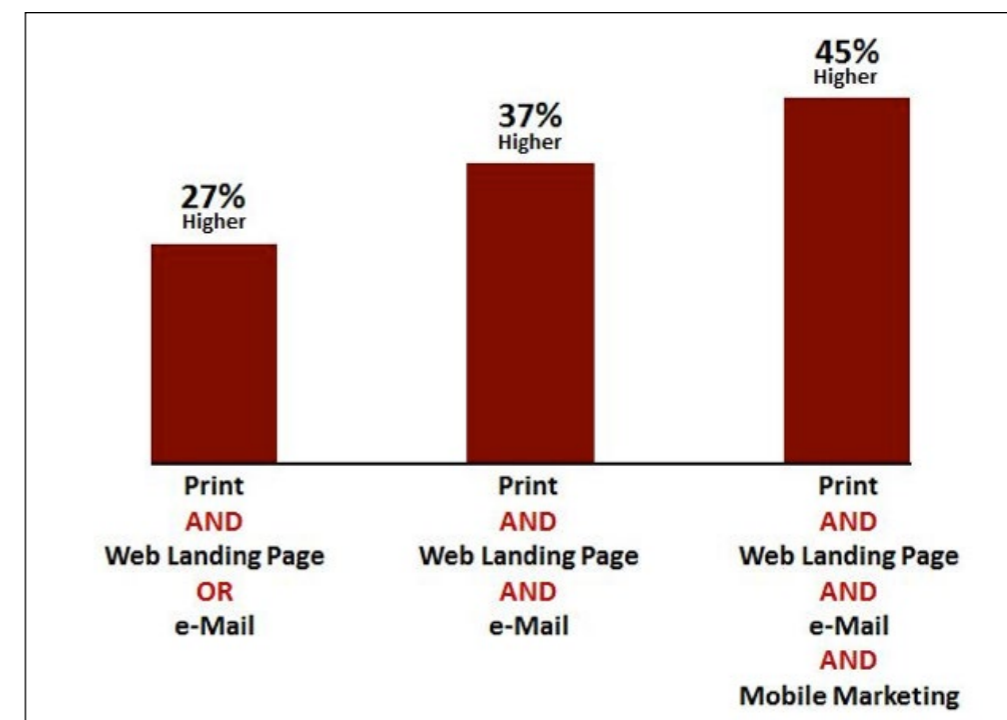
Source: InfoTrends, 2012.

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2   The Winterberry Group, *Taking Cues From the Customer: 'Omnichannel' and the Drive For Audience Engagement*, June 2013, http://www.neustar.biz/information/docs/pdfs/iab-winterberry-white-paper---omnichannel-audience-engagement-.pdf.
3   "M&S Spring/Summer," *Aurasma*, 2013, http://www.aurasma.com/campaigns/ms-springsummer/.
4   Jonathan Margulies, "Taking Cues from the Customer: Direct Mail and the Drive for Omnichannel Engagement," (Winterberry Group presentation, Enhancing the Value of Mail Discussion Forum, January 21, 2014), slide 5.
5   InfoTrends, Inc., *Understanding Vertical Markets: Enterprise Communication Requirements*, 2012, http://store.infotrendsresearch.com/product_p/129462.htm.
6   Stefanie Streif, "Papier Pusht," *Acquisa*, January 2014, www.acquisa.de, p. 26.

For mailers to stay current with their audiences, they must put an ever-greater emphasis on "rich content" that fosters increased consumer engagement, response rates, or purchases that provide clear results for the marketer's bottom line.[7] The content in mail has moved beyond copy. It may not be enough to create an eye-catching piece of mail; new technologies and other enhancements could be integrated to help influence consumer behavior.

Personalization

As campaigns begin to span across more channels, consumers will be exposed to more advertising than ever before. Thirty years ago, the average city dweller saw 2,000 advertisements a day, most of them on television and in what they read.[8] In 2007, a study estimated that a city dweller sees 5,000 advertising messages a day.[9] This creates fierce competition for attention. Relevance is becoming increasingly important, and advances in consumer data analytics and printing technology make personalized mail a reality. At the same time, as noted in the OIG focus groups, companies should focus on honoring privacy concerns. Personalized messages must balance how much a company may know about a customer with how much that customer wants and expects it to know.

Personalized pieces can garner a 6.5 percent response rate, over three times more than regular direct mail's response rate.

Bill Berkley of Tension Envelope Corporation explained the limited window a marketer has to catch the attention of their audience. He introduced Direct Mail's 3:30:3 rule. The rule asserts that the average consumer decides in 3 seconds whether to keep or throw away a piece of mail (See Figure 3).[10] Of those the consumer decides to keep for later inspection, the average length of time spent with each is 30 seconds.[11] Finally, the marketer has 3 minutes or less for getting contents read and a response generated. The practical implication is to make your mailpiece stand out to catch the recipient's attention within the parameters of the 3:30:3 rule. Many forum presenters mentioned that tailored content and relevance are crucial for gaining and holding attention.

A recent IBM study found that people from every age group desired more personalized discounts.[12] One way to provide unique discounts is through variable data printing, which enables even the largest marketers to personalize every message or coupon based on an individual's past habits. Personalized pieces can garner a 6.5 percent response rate — more than three times regular direct mail's 2 percent response rate.[13] Not surprisingly, to use variable

Figure 3: A Short Time for Mail to Make an Impression

Source: Tension Envelope Corporation, 2014.

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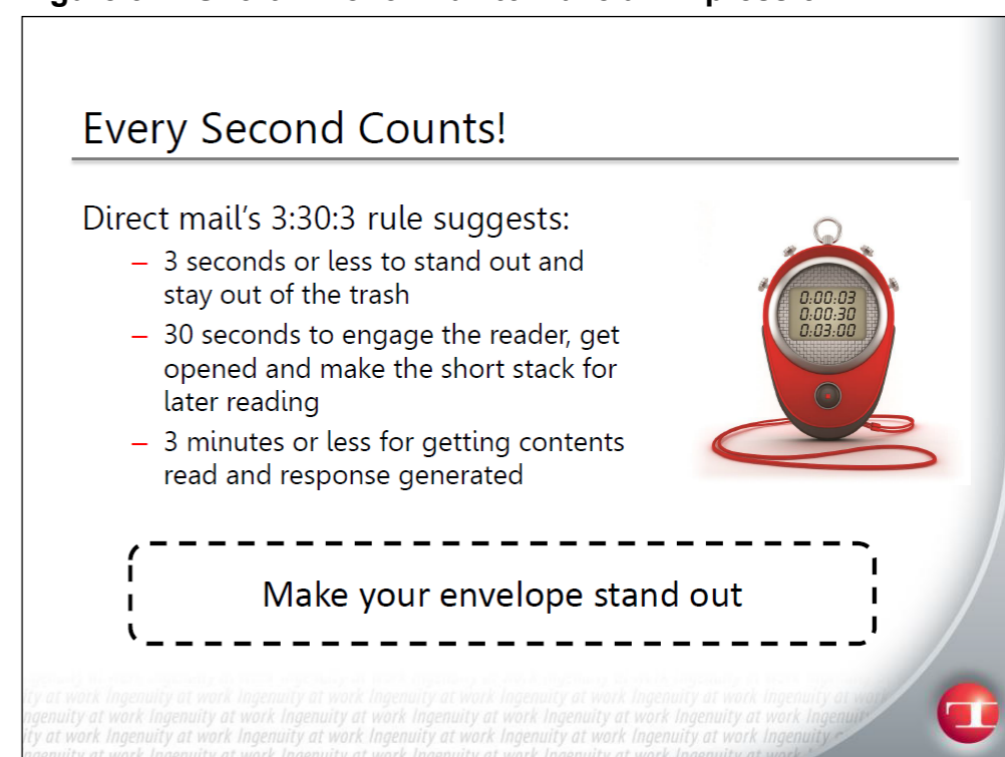
7   Rich content can include interactive media or personalized messages.
8   Louise Story, "Anywhere the Eye Can See It's Likely to See an Ad," *New York Times*, January 15, 2007,
    http://www.nytimes.com/2007/01/15/business/media/15everywhere.html?pagewanted=all&_r=0.
9   Ibid.
10 Bill Berkley, (Tension Envelope Corporation presentation, Enhancing the Value of Mail Discussion Forum, January 21, 2014), slide 7.
11 Ibid.
12 IBM Institute for Business Value, "*Meeting the Demands of the Smarter Customer*,"
    http://www.ibm.com/common/ssi/cgi-bin/ssialias?subtype=XB&infotype=PM&appname=GBSE_GB_TI_USEN&htmlfid=GBE03281USEN&attachment=GBE03281USEN.PDF, p. 8.
13 Melissa Data, "Melissa Data Releases Information that Shows the Effectiveness of Highly Personalized Direct Mail" Sept. 12, 2012,
    http://www.melissadata.com/newsreleases/effectiveness-of-highly-personalized-direct-mail.htm; and QuantumDigital, *A Case for Personalization:
    Proof that Relevant Content is King*," July 2009, http://quantumdigital.com/graphicsserver/rhfiles/media/pdf/whitepaper_personalization.pdf, p. 2.

data printing effectively the advertiser must have a certain amount of information about the consumer. The good news is that more information than ever before is being collected about consumers' purchasing patterns.

Advertisers must be cautious, however, about how they use consumer information. Consumers are sensitive about the collection of their personal data and how marketers will ultimately use it. Consumers report that they are more likely to use a coupon that is relevant to them, but, as Target stores found, over-personalization can backfire. The retailer found that when its customers received relevant coupons, especially when it related to a life change, like having a baby, it alarmed customers because they felt their privacy had been invaded.[14] In Target's case, adding general deals among personalized offers caused customers to use the deals, while keeping their sense of privacy intact.[15]

Two recent OIG studies found that people of all ages, from across the country, worry about how much of their information is available to retailers.[16] Interestingly, Digital Natives were more likely to report concerns about how mailers without tailored messages got their information.[17] If the outside of the mailpiece was personalized with their name, but the content was not relevant, they felt like their privacy was violated because their identity had been sold to another company without their consent. Alternatively, when they saw a relevant advertisement, these concerns disappeared, and they were even amenable to a one-click purchase by scanning the mailpiece with their phones. When the company was promoting a product they were interested in purchasing, they wanted — sometimes even expected — the company to have their data, especially if they had shopped there before. Convenience trumped privacy.

The importance of relevance cannot be overstated, but at the same time, consumers do not want to feel that their privacy has been violated. This expectation of privacy varies depending on the consumer's relationship with the company and is an area ripe for further exploration.

Technological Innovation

New technology plays a central role in bringing greater personalization and a better omnichannel experience to direct mail; it provides new ways for the mailer to interact with the customer and acts as a tool to link together different elements of a marketing campaign. During the forum, some presenters showed examples of the technology available to enhance mailpieces. Three types of enhancements discussed were augmented reality, NFC, and electronics in print.

Video 1: Maybelline Nail Polish

Source: http://youtu.be/xtZVy67hRNE.

Augmented reality was an example in both Quad/Graphics' and Blippar's presentations. To use augmented reality, the consumer must download an application to their mobile device. Augmented reality currently has no standard technology or software; each advertisement may require a separate application download to access content. Once the program is open, they scan the printed piece, whether it is a page in a magazine or a letter, which opens a new, interactive element on the mobile device. The digital element can use the consumer's surroundings through a smartphone or tablet's camera

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14 Charles Duhigg, "How Companies Learn your Secrets," *New York Times*, February 16, 2012, http://www.nytimes.com/2012/02/19/magazine/shopping-habits.html?pagewanted=all.
15 Ibid.
16 U.S. Postal Service Office of Inspector General, *Enhancing Mail for Digital Natives*, Report No. RARC-WP-14-001, November 18, 2013, https://www.uspsoig.gov/sites/default/files/document-library-files/2013/rarc-wp-14-001_enhancing_mail_for_digital_natives.pdf; and U.S. Postal Service Office of Inspector General, W*hat America Wants and Needs from the Postal Service*, Report No. RARC-WP-14-009, February 18, 2014, https://www.uspsoig.gov/sites/default/files/document-library-files/2014/rarc-wp-14-009_1.pdf.
17 USPS OIG, *Enhancing Mail for Digital Natives*, p. 9.

or link to a full website. One example of augmented reality is an application that allows consumers to virtually try on a nail polish before buying it simply by taking a picture of their hand (See Figure 4).[18] Another example shown at the conference was a Lego catalog that, when scanned, showed a 3D version of the Lego set travelling through the screen and interacting with other Lego creations.[19]

The Postal Service has used augmented reality in the past, both for novelty and utility. In 2009, the Postal Service launched an augmented reality application that worked with a computer's webcam to show what size box was needed for an object the user wanted to ship.[20] During the Blippar presentation, the presenter brought up a 2014 holiday campaign by the Postal Service. They created an experience that showed a user's package as a gingerbread house when the package was "blipped."
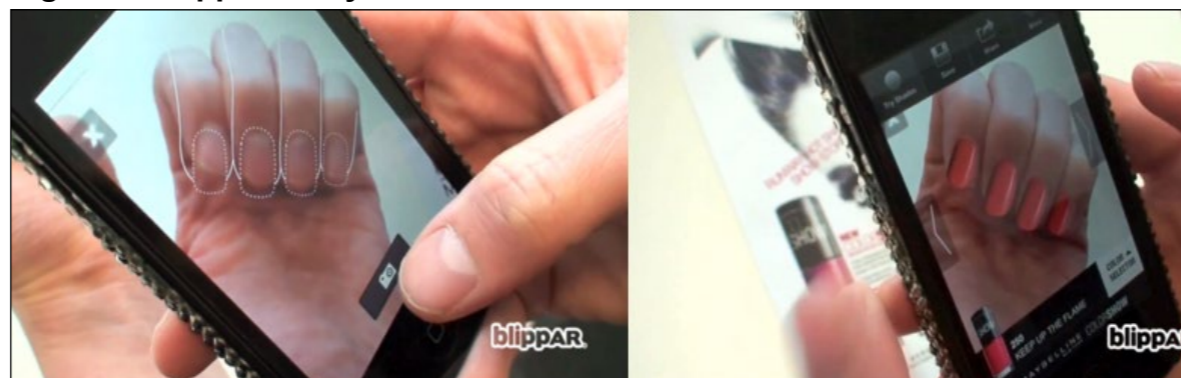
NFC is different from augmented reality in that it does not require the user to download an application to use it. An increasing number of phones are NFC-enabled, meaning that they have an NFC chip embedded in them and can communicate with other NFC chips when in close range. The consumer decides whether to enable NFC on his or her device. This type of technology requires the consumer to place their activated phone within a couple of inches of an advertisement embedded with an NFC chip. The two chips will communicate and automatically bring up a new page on the smartphone, allowing the user to get a better view or feel for some part of the product. This technology allows the consumer to access more information than just a print advertisement can offer and make an immediate purchase. Originally very expensive, this type of advertising chip is rapidly dropping in price, allowing for wider use. Proximity marketing will allow advertisers to target messages to people already near their product and then track use of the NFC portion in real time. The Postal Service has encouraged mailers to use both NFC and augmented reality by offering promotions to mailers who use emerging technologies.

Printed electronics are another possible enhancement for mail. Circuits are getting thinner, which is good news for the print industry. This allows for embedding them into paper products, including mail. The possible implications of printed electronics are huge. Already, some advertisements utilize printed electronics to create advertisements that light up when activating a motion sensor. Some companies have used advertising campaigns that incorporate video into print pieces, like magazines, through the inclusion of a circuit, speaker, and battery in a thicker page. This type of printed electronic will soon be thin and flexible. Printed electronics could be used in the future on packaging to show logistics details, provide sensors that monitor when a product has gotten too warm or cool to be used safely, or give more information about the item enclosed. Putting electronics into the printed piece truly bridges the gap between the digital and physical. Interactive pieces create more utility and increased interest in a piece.

Augmented reality, NFC, and electronics in print can engage the user and allow them to make purchases straight from the mailpiece.

Video 2: LEGO Connect

Source: http://youtu.be/rJ4I-_TkGbE.

Figure 4: Blippar's Maybelline Advertisement

Source: Maybelline New York, 2014.

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18 Blippar, "Virtual Nail Varnish. How to 'Try on' 40 New Maybelline Polishes with Blippar!" Sept. 17, 2012, https://blippar.com/en/blog/28-virtual-nail-varnish-how-to-try-on-40-new-maybelline-polishes-with-blippar.
19 "Lego//Spring 2013 Catalog," *DAQRI*, 2014, http://daqri.com/project/lego/#.Ux231_RDs4k.
20 Brian Morrissey, "Postal Service Brings Augmented Reality Down to Earth," *Adweek,* June 9, 2009.

At this point, a marketer using any of these print innovations is likely considered to be an early adopter and will generate buzz. Consumers are already responding well to technology in print, with one presenter reporting that consumers spent an average of 4.2 minutes with the augmented reality application they accessed through an advertisement in a magazine.[21] Compare that with the 3 minutes cited in the 3:30:3 rule mentioned previously.[22]

Conclusion

Enhancing the value of mailpieces and parcels for recipients is important to the viability of the entire mail value chain. The Enhancing the Value of Mail Discussion Forum created an opportunity for different parts of the mailing industry to learn more about options available to engage customers, whether through eye-catching paper, personalized coupons, or augmented reality applications — all of which make mail a useful tool in comprehensive marketing campaigns. The more mail integrates seamlessly with other media, the more useful it will become to recipients. After all, it is the recipient's valuing of the mail that keeps the medium relevant to all.

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21 Lisa Hu, (Blippar presentation, Enhancing the Value of Mail Discussion Forum, January 21, 2014), slide 50.
22 See Figure 3: A Short Time for Mail to Make an Impression.

Appendix: Participant Biographies

Klaus Schulz, IGB Consult
k.schulz@igbconsult.de

Klaus Schulz is the managing director of the German Envelope Association and a board member of the Global Envelope Association, working to connect the envelope with the digital world. From 2005–2008, he was the president of the European Envelope Manufacturers Association. Mr. Schulz has worked in the envelope business since 1995, after joining the Bertelsmann Group as sales director for gravure printing in 1980. He has been a marketing specialist at Lufthansa Sales Promotion, Ogilvy & Mather, Leo Burnett, and Gillette Product Management.

Andy Bear, Multichannel Technology Manager, Quad/Graphics
Andy.Bear@qg.com

Andy has over 30 years' experience in graphic communications, technical implementation, and product development. His experiences include client-focused solution development, marketing, automated composition, logistics, database publishing and web portal delivery. His solid understanding of print manufacturing, distribution, and multichannel solutions is a powerful combination for Quad Graphic's clients. In the Media Solutions group, he focuses on client collaboration and providing innovative insights on how Quad can support customer-centric business needs incorporating cross-media solutions.

Bill Berkley, President & CEO, Tension Envelope Corporation

Bill Berkley is president and CEO of Tension Envelope Corporation, a Kansas City-based company with sales and manufacturing facilities across the United States and around the globe. During his tenure, Tension has grown to become the second-largest domestic envelope manufacturer, known for its innovative envelope solutions and services and environmentally responsible options, holding more patents than all other envelope manufacturers combined. Mr. Berkley is the immediate past chair of the Envelope Manufacturers Association and chairs its Public Policy Committee. He earned an MBA at the Amos Tuck School of Business at Dartmouth College. He graduated cum laude from Colorado College in 1978 with a B.A. in History.

Jonathan Margulies, Managing Director, Winterberry Group
jmargulies@winterberrygroup.com

Jonathan Margulies leads the development of Winterberry Group's research and thought leadership initiatives, including its popular series of white papers, quarterly economic analyses, and collaborations with industry and trade associations around the globe. Before joining the firm, he served as communications director for the Sergeants Benevolent Association, a 10,000-member organization of New York City police supervisors. He has held positions in marketing, public relations, and digital media at British Airways USA, Burson-Marsteller, Hill & Knowlton, and the New York Mets. Mr. Margulies received a B.S. in economics, with a concentration in management, from the Wharton School at the University of Pennsylvania.

Lisa Hu, Vice President & General Manager, Blippar
Lisa.hu@blippar.com

Lisa Hu currently oversees Blippar's operations and partnerships in the United States. Blippar is the first mobile visual discovery app and platform that empowers brand and media owners to connect with their consumers in new ways, enabling interactive and augmented reality mobile experiences. Blippar started in the U.K. and launched in the U.S. in August 2012; within the first year, Ms. Hu and team have secured partnerships with Fortune 500 companies such as Proctor & Gamble, PepsiCo, Anheuser Busch, General Mills, Kraft, IBM, Time Inc, and many more. Blippar has also recently launched a campaign with USPS.

Prior to Blippar, Ms. Hu was the Director of Media Strategy at Reuters, and worked in management positions at ESPN and Amazon UK within various strategy & media divisions. Prior to that, Ms. Hu was Manager of Communications & High Tech at Accenture.

Ms. Hu holds a B.B.A. from the University of Michigan-Ann Arbor and an MBA from London Business School.

Barbara M. Fisher, Regional Manager, OE-A North America
Barbara.fisher@oe-a-na.org

Barbara Fisher has been the regional manager, North America, for the Organic and Printed Electronics Association (OE-A) since 2008. She has held marketing positions at The Valspar Corporation, PPG Industries, and Emerson. Ms. Fisher holds a B.A. in international business and an MBA in marketing. She lives in Pittsburgh, Pennsylvania.

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